

Message Text

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ORIGIN ARA-10

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TO AMEMBASSY QUITO

INFO AMCONSUL GUAYAQUIL

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E.O. 11652: N/A

TAGS:ENRG, EC

SUBJECT: REQUEST FOR INFORMATION

REF. QUITO 1886

FOLLOWING ITEM FROM PIW, MARCH 8, 1976: NEW TERMS WORSE
THAN NATIONALIZATION FIRMS TELL ECUADOR.

QUOTE - ECUADOR'S PRINCIPAL OIL PRODUCERS, THE TEXACO-GULF
PARTNERSHIP, HAVE TOLD THE NEW GOVERNMENT THEY'D RATHER BE
NATIONALIZED THAN HAVE TO LIVE WITH THE ONEROUS FINANCIAL
TERMS IT'S PROPOSING, PIW LEARNS. THE COMPANIES HAVE BEEN
TAKING A HARD STANCE IN DRAWN-OUT BARGAINING SINCE
ECUADOR ANNOUNCED ITS PLAN TO RAISE THEIR TAX-PAID OIL COSTS
RETROACTIVE TO JAN. 1 (PIW JAN. 26, P. 10) .

ECUADOR FROM TIME TO TIME HAS PROPOSED RAISING ITS PRESENT
25 PERCENT PARTICIPATION TO 51 PERCENT. THIS IS STILL IN
THE BACKGROUND, AS WELL AS THE CURRENT PROPOSAL TO INCREASE
THE COMPANIES' TAX-PAID COSTS BY UP TO 20 CENT OR 25 CENT
A BARREL. ECUADOR IS ALSO DEMANDING ADDITIONAL EXPLORATION
SPENDING AND IS SAID TO WANT CRUDE OIL SALES TO CERTAIN
LATIN AMERICAN NATIONS RESERVED FOR STATE OIL FIRM CEPE.

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THE GOVERNMENT IS SHOWING SIGNS OF BEING DISPOSED TO A COMPROMISE TO KEEP THE COMPANIES THERE. THE OIL FIRMS, HOWEVER, ARE BELIEVED TO FEEL THE TERMS ARE STILL TOO RIGOROUS. TALKS ARE BEING SCHEDULED SHORTLY. IN THE MEANTIME, MOST EXPLORATION AND DEVELOPMENT ACTIVITY HAS BEEN SUSPENDED OR DELAYED.

THE COMPANIES CLAIM THE MARKET FOR ECUADOR'S CRUDE CAN'T SUSTAIN A HIGHER PRICE AT PRESENT, AND THAT A COST HIKE WOULD SHAVE THEIR MARGINS TO AN INTOLERABLE LEVEL, ESPECIALLY SINCE ECUADOR WANTS THEM TO MAINTAIN HIGH EXPLORATION-DEVELOPMENT SPENDING (PIW APRIL 28, P. 6). THE PROPOSED HIKE IN THEIR TAX-PAID COSTS WOULD PUT THEM IN THE DOLLARS 11.40 - 11.50 A BARREL RANGE, UP FROM THE PRESENT DOLLARS 11.15 - 11.30, DEPENDING ON PRODUCTION LEVELS. OPEN-MARKET PRICES ARE CURRENTLY BETWEEN 11.65 AND 11.75, ALTHOUGH CEPE HAS BEEN SELLING DOLLARS 11.95 F.O.B. TO CHILE AND 12SD DOLLARS 12.30 C.I.F. TO PERU. KISSINGER

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